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Minutes of the Special Meeting of the Strategic Planning & Finance Committees of CareFirst, Inc.
Friday March 23, 2001
At its Headquarters in Owings Mills, Maryland

Members Present:	Charles W. Shivery (SPC Chairman); Daniel Altobello; Edward J. Baran; Max S. Bell, Jr., Esq.; Joseph Haskins (Compensation Committee); Sister Carol Keehan, R.N., M.S.; Roger C. Lipitz; Patricia E. Lund, Ed.D., R.N.; Robert H. Naftaly; Hanan Y. Sibel (Compensation Committee); James C. Simpson (Finance Committee); George B. Wilkes, III (Compensation Committee)
Also Present:	William L. Jews; Mark Chaney; Gregory A. Devou; Leon Kaplan; Paul King; John A. Picciotto; Sharon Vecchioni; David D. Wolf; Sandy Beard; Ellen Brown; Jay Smith; Mark Muedeking; Michael Muntner; Stuart Smith

The meeting was called to order by Chairman Shivery.

Staff and advisor presentations were made through the use of a handout which had previously been distributed to the Committee, and which is made a part of these minutes.

The minutes from the February 22, 2001 Committee meeting were approved as submitted.

Mr. Haskins provided an update from the Compensation Committee meeting. The Committee discussed a management retention program, the purpose of which is to ensure the retention of associates through the time period until a proposed transaction closes, or is abandoned. The program's core goals are to retain key management in order to maintain operations at target levels, maintain company value, maximize the transaction price, to create a backdrop for eventual integration, and to ensure the companies are protected in the event that a transaction does not close for whatever reason. CareFirst's Compensation Consultants—The Hay Group—will submit a program proposal within the next 2 weeks, for presentation to the Compensation Committee, and eventually, if approved by the Committee, to the Board.

Mr. Muntner of Credit Suisse First Boston (CSFB) reported on recent market performance and developments for each potential partner. He noted that both plans remain well-regarded by Wall Street, despite general market downturns.

Mr. Smith of CSFB then compared the major negotiating points and evaluation criteria of the transaction. In particular, he reviewed the draft bids, as well as CareFirst's desired outcome for each criteria. Mr. Smith noted that both bids were reasonable as it pertains to the total dollar amount submitted. However, the form of the consideration will need to be negotiated, in both cases, to maximize certainty regarding the final value of the public benefit obligation. Specifically, reasonable collars will need to be established to protect against market downturns, and consideration must be given to the opportunity to share in the up-side potential if the stock consideration increases in value.

Other bid elements that requiring negotiation and that were discussed in general include: the CareFirst financial requirements; the termination fee; the representations and warranties; restrictions related to material adverse effect; post-closing indemnification; and Board representation and management composition.

Mr. Jews then presented management's assessment of the partners, based on recent discussions. At present, the WellPoint proposal provides a more clear delineation of reporting structure and scope of responsibilities. The Trigon proposal is less clear regarding resolution of multiple integration issues. He also summarized a recent meeting with the Trigon CEO and bankers, at which Trigon retreated from several significant commitments which had previously been made. He then reviewed several conversations with the WellPoint CEO, which were positive on major issues.

Mr. Wolf followed with a review of the positions of key stakeholders, by partner. In general, both parties are viewed similarly, with a marginally less positive view of a WellPoint combination by regulators and employer groups.

Mr. Devou reviewed the draft communications plan, noting that extensive coordination with the preferred partner will be required prior to implementation. He also noted that select educational activities are under-way to familiarize constituents with "CareFirst at the Crossroads".

Mr. Picciotto addressed the political feasibility of a transaction, highlighting ongoing meetings with political leadership to similarly present the "CareFirst at the Crossroads" message. In general, constituents are supportive, as the concept of a public benefit obligation continues to become more attractive. Committee members recommended additional regulators and constituents who should be included in future discussions.

Mr. Shivery closed with a review of the next steps in the process. The group agreed that additional special committee meetings would be necessary to finalize the Compensation Committee's recommendation regarding the management retention program, as well as to evaluate the proposals as they evolve. The goal for the regularly-scheduled April 26th Board meeting would be to bring the Board up-to-speed regarding negotiations, and solicit preliminary consensus on a "preferred" partner. If, however, the situation warrants, a specific recommendation could be made at the April 26th meeting.

There being no further business, the meeting adjourned at 3:00 p.m.

David D. Wolf
EVP, Medical Systems and
Corporate Development

SUMMARY OF MAJOR PROVISIONS

The table below offers a side-by-side comparison of Atlantic's and Pacific's revised merger proposals, subject to confirmatory due diligence and final negotiation of the merger agreement.

	ATLANTIC	PACIFIC
Price	▶ $1.3 billion	▶ $1.3 billion
Form of Consideration	▶ 60% cash / 40% stock (Atlantic has right to substitute an increasing rate Note for up to 50% of cash component)	▶ $450 million cash / $850 million stock; minimum cash component of $450 million with option to increase relative cash component up to 100% at closing
Exchange Ratio	▶ Fixed price for stock component if Atlantic stock price is above $45.22 per share (based on the issuance of a maximum of 11.5 million shares); collar mechanism to be determined	▶ Fixed price for stock component if Pacific's stock price is above $70 per share; if price falls below minimum, Pacific will issue Subordinated Notes to Chesapeake in place of common stock to maintain the $1.3 billion purchase price
Stock Price Floor	▶ Both sides can terminate if the average closing stock price in the 20 days prior to closing date falls below a certain price (to be determined)	▶ Chesapeake has the sole right to terminate if the average closing stock price in the 20 days prior to closing date falls below $70
Chesapeake Financial Requirements	▶ Atlantic proposes that a material adverse change be triggered if Chesapeake were to achieve less than 75% of the 2001 earnings forecast (in the S&P Briefing book) grown 15% per year thereafter; Below this performance Atlantic has suggested a repricing mechanism ▶ Atlantic has indicated a link between achieving financial performance requirements and a "soft touch" integration approach	▶ Pacific has imposed no specific financial requirements